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BRIEF

Presented by

**Canadian Manufacturers of Paints, Varnishes, Lacquers
and Allied Products**

BEFORE THE TARIFF ADVISORY BOARD OF CANADA

OPPOSING APPLICATION No. 65

May 16th, 1928





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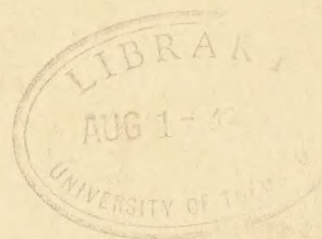
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B R I E F

Brief presented by manufacturers of paints, varnishes, lacquers and allied products, as undersigned, opposing application #65 for reduction of tariff rates and classification on items 245, 246, 247, 248, 249 and 251 of the tariff schedule -

The manufacturers on whose behalf this brief is presented represent a Dominion-wide industry, with plants located in seven Provinces of the Dominion, and warehouses in practically every important city in the country.

The beginnings of the industry go back to the early days of manufacturing development in this country, - some of the Companies having an unbroken record of operation for almost one hundred years. According to figures supplied by the Dominion Bureau of Statistics for the year 1926, production of paints, pigments and varnishes in Canada for that year amounted in value to \$24,803,237, an increase of 2.6 millions over the output of \$22,234,268 in 1925. In 1924, the output value was \$20,200,824 as against \$21,553,158 in 1923. With reference to the question of the pyramiding of these figures, this matter will be discussed later in the Brief. Firms engaged in this line of production in 1926 represented a capital investment of \$22,890,807 in plant and equipment and operating capital. Employment was afforded to an average of 2,484 people over the year, who earned \$3,375,961 in salaries and wages. By manufacturing processes this industry added \$11,697,870 to the value of materials used which cost \$13,105,367.

Comparative figures as supplied by the Dominion Bureau of Statistics on the paint and varnish industry in Canada for the years 1922 to 1926 inclusive, are as follows:-

SUMMARY STATISTICS OF THE PAINTS, PIGMENTS AND VARNISHES

INDUSTRY IN CANADA

1922 - 1926

Year	Number of Plants	Capital Employed	Number of Em- ployees	Salaries and Wages	Cost of Materials	Selling Value of Products	Value added by Manufacturing
		\$		\$	\$	\$	\$
1922	53	21,073,706	2,451	3,421,216	11,354,903	20,230,545	8,875,642
1923	57	20,806,909	2,591	3,665,823	10,754,273	21,553,158	10,798,885
1924	55	20,587,856	2,287	3,044,228	11,674,837	20,200,824	8,525,987
1925	62	21,460,431	2,355	3,093,191	12,613,995	22,234,268	9,620,273
1926	64	22,890,807	2,484	3,375,961	13,105,367	24,803,237	11,697,870

PRINCIPAL STATISTICS OF THE PAINTS, PIGMENTS AND VARNISHES INDUSTRY IN CANADA,

BY PROVINCES, 1925-1926

Province	1925				1926			
	Number of Plants	Number of Em- ployees	Salaries and Wages	Selling Value of Products	Number of Plants	Number of Em- ployees	Salaries and Wages	Selling Value of Products
			\$	\$			\$	\$
Quebec	17	1,073	1,329,513	9,217,135	18	1,057	1,364,081	10,173,789
Ontario	29	902	1,345,976	9,660,171	30	1,034	1,560,718	10,800,077
Manitoba	4	173	209,180	1,725,878	5	173	218,101	1,922,663
British Columbia	10	136	142,104	1,158,176	9	150	158,947	1,274,450
Canada x	62	2,355	3,093,191	22,234,268	64	2,484	3,375,961	24,803,237

x Includes also data for 1 plant in Alberta and 1 in Nova Scotia.

In addition to the above information, twenty-seven Companies in the industry have supplied the following figures:-

Total freight paid on incoming goods - \$803,685.44
Total freight paid on outgoing goods - \$635,543.94
Total Sales Tax paid - - - \$691,232.24
Total amount of other taxes paid - \$284,225.99

The above figures afford a brief outline of the extent of the industry in Canada, and what its continued operation means to the country.

Reference should also be made at this time to those Canadian industries who act as suppliers to paint and varnish manufacturers, such as--

- Tin Can and Container Manufacturers
- Box and Packing Case Manufacturers
- Linseed Oil Crushers
- Corroders of White Lead
- Printing Plants
- Sellers of Advertising, including newspapers
- Manufacturers of Chemical Products, etc.
- Lead Mines, Oxide Mines, Dry Color Manufacturers, etc.
- Makers of Paint and Varnish Manufacturing Machinery.

All these industries and their employees would be adversely affected by measures operating to the detriment of the paint and varnish manufacturers. The extent to which the transportation companies of Canada are interested in the paint industry is partially shown by the figures stated above, showing the amount of \$1,439,229.38 paid for transportation by twenty-seven out of the sixty-four Companies engaged in the industry.

A report on the Linseed Oil Industry in Canada (1926) issued by the Department of Trade and Commerce through the Dominion Bureau of Statistics shows that the total quantity of Flaxseed used by crushers of Linseed Oil in Canada during the year 1926 was 2,292,518 bushels. This quantity produced 4,855,896 gallons of Oil, of which a large proportion is either used in the manufacture of paints and varnishes or is marketed through the selling organizations of the individual Companies making up the industry. The value of this consumption of Flaxseed to the Canadian Farmer in Western Canada must be emphasized.

The Paint and Varnish Industry in Canada is subjected, along with many others, to the operation of factors in manufacturing conditions which tend to increase the cost of manufacturing, as compared with British and foreign Companies who compete under the present tariff with the industry in the Canadian market.

As regards labor costs, we attach as per Appendix "A", - "Comparative Statement of Labor, Salary and Wage Costs in Paint Manufacturing in Great Britain, United States and Canada", from which it is apparent that the salary and wage cost combined in Canada as a percentage factor in our industry, is generally higher than in the United States, and very considerably higher than in Great Britain.

We also attach Appendix "B", "Comparative Average Rate of Wages per Hour Paid Workmen for Similar Classes of Work in Canada, Great Britain and the United States", which shows the wage rate in Great Britain for individual occupations in the industry much lower than in Canada or the United States.

With reference to the apparent discrepancy between the figures shown on Appendix "A" and Appendix "B" in the wage costs in Canada and the United States, it should be pointed out that the wage cost as shown on Appendix "A" includes not only the actual productive classes of labor shown on Appendix "B", but also salaries and wages of superintendence, administration, etc., which are much larger in Canada, as applied to each individual item of production, owing to the fact that overhead wage charges of this nature are in the United States spread over a much larger volume of production. For instance, any Canadian paint manufacturer could produce much more than his present output with hardly any appreciable increase in the cost of superintendence, administration, selling and other general overhead wage and salary costs.

Regard has also to be given to climatic conditions in Canada which require the most substantial construction of plants against the elements, in addition to which heating costs, because of the longer winters, are higher and the per ton cost of fuel is greater.

Besides this, owing to the seasonal activity in the use of paints, varnishes, etc., there being little or no general painting done in the winter season, the Canadian manufacturer is for several months in the year operating at an actual loss because of small sales volume in these months. In much of the United States, owing to climatic conditions, there is an all year round use of paints and varnishes.

In addition to this, as before pointed out, the Canadian paint and varnish industry is carried on in a territory of thirty-six hundred miles, stretching from Halifax in the East to Victoria in the West, and the transport of raw materials and the distribution of the manufactured product takes place over immense distances, largely increasing transportation costs to the Canadian manufacturer. In addition it is necessary for him to maintain warehouses at many points for the purpose of supplying efficient service to the trade, although the smaller population served and the lesser volume of business through each warehouse makes such service costly to the manufacturer.

Another disability under which the Canadian manufacturer labors, as compared with manufacturers in countries competing with him in the Canadian market, is the disparity in population, say between the United States and Canada and between Great Britain and Canada. It is a truism in manufacturing that the larger the market supplied the greater the volume of production, and the greater the volume of production, the lower is the production cost.

The Canadian manufacturer is supplying a market of nine million people compared to a market of one hundred and twenty million people in the United States and forty-five million in the British Isles.

The manufacturing processes in the industry are such that long runs of one material through the mills are required, and have a direct and important bearing upon the per gallon and mill hour cost.

This is shown by the following comparison of large and small runs on the basis of manufacturing cost per hundred gallons of each run.

Name	Size of Batch	Mfg. Cost only per 100 gallons
Wagon Paint Green	129½ gals.	\$19.70
" " "	38 "	30.34
2nd Quality Paint White	1699 "	17.04
" " " Dark Blue	99 "	25.75
1st Quality Paint Grey Lt. Lead	1509 "	14.09
" " " Crimson Red	87½ "	35.90
Inside Floor Paint Slate	262½ "	16.42
" " " "	43 "	22.89
Varnish Stain Light Oak	603 5/8 "	16.09
" " Green	27 3/16 "	21.04
Shingle Stain	100 "	9.69
" "	18 "	25.30

With the diversity of products as manufactured in Canada (Canadian paint and varnish manufacturers report from eleven hundred to four thousand active formulae) and with sixty-four plants engaged in supplying the Canadian public in the year 1926, it will be apparent that there is no mass production of paints and varnishes in Canada comparable to that in the United States and Great Britain. As pointed out previously in the Brief, mass production in the United States is assisted most materially by the fact that in many plants they are able to maintain an all-year round production, while owing to conditions of climate seasonal activity only is possible in Canada.

The applicant suggests that the Canadian manufacturer of paints and varnishes has not developed his market, nor taken advantage of the opportunities afforded. From figures supplied by the Department of Commerce at Washington for the year 1926 we learn that the total gallonage production in the United States for that year was 214,676,500 gallons. The imports into the United States for 1926 totalled 177,390 gallons. The same authority shows exports for 1926 totalling 4,371,157 gallons. If to the total production we add the imports and deduct the exports, we arrive at a balance for consumption in the United States amounting to 210,482,733 gallons, which over an estimated population of one hundred and twenty millions gives a per capita consumption in wine gallons of 1.75, equal to 1.46 imperial gallons. Taking the figures of production in Canada as supplied by the Dominion Bureau of Statistics--\$24,803,237.00, adding imports of \$4,377,998.00 and deducting exports of \$502,183.00, we arrive at a total consumption in Canada of \$28,679,052.00, which for a population in the Dominion of nine millions, gives a per capita consumption in dollars and cents of 3.18.

Referring again to the question of the pyramiding of production in these figures, it can only be said that there is no doubt a certain amount of duplication in the figures as compiled by the Bureau of Statistics, but after careful consideration it has been found impossible to correct the figures with any assurance of accuracy, and we are compelled to use them as shown. It should be pointed out in this connection that we have no reason for supposing that similar pyramiding has not taken place in the American figures for production, since in both countries goods which are the finished product of one manufacturer are used to some extent as the raw material of another manufacturer. It is, however, most probable that there is a compensating difference in the figures of both countries to make them reasonably comparable.

If we accept 2.23 per gallon as a fair average selling value over the entire class of paints and varnishes, which average we are prepared to verify to the Tariff Advisory Board, and apply this to the per capita gallonage, the comparison in gallons for the two countries is as follows - Canada 1.42; United States 1.46.

As the market in the country to the south of us may be considered to be the best developed in the world, it will thus be seen that the per capita consumption of paints and varnishes in Canada compares favorably with the per capita consumption in the American market.

Comparisons have been made between wholesale prices to the retail dealer on certain representative lines of paints and varnishes in Great Britain, United States, and Canada, taken from the price lists of three Companies, each operating in one of these countries, which give the following results -

COMPARISON OF PAINT PRICES

Canada, Great Britain & United States
Wholesale Prices

	CANADA Per Imp.Gal	U.S.A.		GREAT BRITAIN	
		DOMESTIC	LAID DOWN IN CANADA	DOMESTIC	LAID DOWN IN CANADA
		Per Imp Gal	Per Imp Gal	Per Imp Gal	Per Imp Gal
Outside Gloss White	4.08	3.66	4.88	4.20	5.17
House Paint 1st Qual.	3.77	3.48	4.64	3.77	4.67
House Paint 2nd Qual.	2.76	2.64	3.54		
Flat Paint	3.20	* 2.40	3.24	3.65	4.51
Inside Floor Paint	3.73	3.12	4.14	3.65	4.46
Varnish Stain	3.78	3.96	5.11	3.10	3.78
Floor Varnish	4.07	4.01	5.17	3.85	4.69
Wagon & Implement	3.64	3.24	4.28	3.04	3.72
Enamel	6.55	6.41	8.43	5.50	6.70

Exchange figured at par

Duties as per Canadian Customs Tariff 1927

* Special price owing to highly competitive conditions

No Sales tax included in any of the above prices

C O S T O F F R E I G H T

From - U.S.A. (Cleveland to Montreal)

								Per Gal.
Outside Gloss White -	6 x 1 Gals.	Packed,	Gross Weight	145 lbs.	@ 51¢	per 100 lbs.		.12
House Paint 1st Qual.	" "	" "	" "	145 "	" "	" "		.12
House Paint 2nd Qual.	" "	" "	" "	135 "	" "	" "		.11
Flat Paint	" "	" "	" "	142 "	" "	" "		.12
Inside Floor Paint	" "	" "	" "	95 "	" "	" "		.08
Varnish Stain	" "	" "	" "	70 "	" "	" "		.06
Floor Varnish	" "	" "	" "	75 "	" "	" "		.06
Wagon & Implement Pt.	" "	" "	" "	82 "	" "	" "		.07
Enamel, 1st Qual.	" "	" "	" "	112 "	" "	" "		.10
Lead in Oil	4 x 25 lbs.	" "	" "	105 "	" "	" "		.54 per 100 lbs

Freight rates as per Jones' Tariff 260-A

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FROM GREAT BRITAIN (London to Montreal)

								Per Gal.
Outside Gloss White -	6 x 1 Gals.	Packed,	Gross Weight	145 lbs.	@ 47/6	per ton		.13
House Paint 1st Qual.	" "	" "	" "	145 "	" "	" "		.13
Flat Paint	" "	" "	" "	142 "	" "	" "		.13
Inside Floor Paint	" "	" "	" "	95 "	" "	" "		.08
Varnish Stain	" "	" "	" "	70 "	" "	" "		.06
Floor Varnish	" "	" "	" "	75 "	" "	" "		.06
Wagon & Implement Pt.	" "	" "	" "	82 "	" "	" "		.07
Enamel, 1st Qual.	" "	" "	" "	112 "	" "	" "		.10
Lead in Oil	4 x 25 lbs.	" "	" "	105 "	" "	" "		.55 per 100 lbs

Exchange at par

Freight rates supplied by Canadian Pacific Steamships Ltd.

Canadian prices compare favorably with those in Great Britain and the United States, and where they are higher we maintain that the difference is only what may be reasonably ascribed to the operation of those factors making for Canadian costs in manufacturing and distribution, which we have referred to in the several preceding paragraphs. Canadian prices certainly cannot be ascribed to the operation of the present tariff as far as it applies to the articles enumerated, because we show in the above table the Canadian prices in comparison with what it would cost to lay down similar British and American products in Canada duty and freight paid.

This favorable comparison is due, not only to the efficiency of Canadian plants, but also to the fact that the present rates of the Canadian Customs Tariff have enabled Canadian manufacturers to supply a large proportion of the Canadian market, thereby giving them sufficient output to ensure economical production. Had more goods been excluded, giving the Canadian manufacturer a larger proportion of Canadian consumption, he would have been enabled to make still lower prices. It can be stated with assurance that the Canadian manufacturer of paints and varnishes is making his price without any reference to the tariff, but based solely upon his cost of production.

It may be enquired, therefore, why the protection should be afforded if it is not taken full advantage of. It seems to us that there are two answers to this -

FIRST - The purpose of a tariff is to protect the industry to which it refers. Conditions vary greatly from year to year, or over a period of years, and what protection is not required at one time may be required at another in order to prevent dumping from competing countries. Surely it can be argued that if an industry establishes the fact that it can be trusted with an adequate tariff to use such tariff only where and when necessary for the purpose of defending its home market, such an industry should have the protection of a tariff that will be adequate under all probable circumstances.

SECOND - It must be pointed out that even with the present tariff, according to the Dominion Bureau of Statistics Bulletin #2, Department of Trade and Commerce, imports of paint and varnish products in Canada for the year ending September 1926, total \$4,226,412.00; and for the year ending September 1927, \$4,919,331.00, or 19.8% of the total Canadian production. It must be apparent that any downward revision of the tariff scale, no matter how small, would materially increase this figure to the profit of the foreign manufacturer and at the expense of Canadian industry.

The applicant states that the paint manufacturer is in a more fortunate position than other manufacturers, in that much of his raw material is imported free of duty. This contention is not supported by the facts as the following table of important raw materials with the tariff thereon will prove:-

IMPORTANT PAINT RAW MATERIALS

DUTIABLE

	<u>TARIFF</u>			Item No.
	Preferential	Intermediate	General	
Linseed Oil per 100 lbs.	\$1.25	\$1.55	\$1.65	258
Turpentine Substitute per gal.	.01½	.02¼	.02½	271
Barytes	15%	17½%	17½%	711
Zinc Oxide	Free	5%	5%	242
Yellow Ochre	10%	12½%	15%	245
Iron Oxides	15%	20%	22½%	246
Talc	15%	17½%	17½%	711
Siennas and Umbers	10%	12½%	15%	245
Dark Filler	15%	17½%	17½%	711
Lithopone	Free	5%	5%	242
Ester Gum	15%	17½%	17½%	711
White Lead Dry	20%	27½%	30%	248
Benzine per gal.	.01½	.02¼	.02½	271
Benzol	.01½	.02¼	.02½	278
Fish Oil	12½%	20%	22½%	265
Naptha per gal.	.01½	.02¼	.02½	271
Toluol	15%	17½%	17½%	711
Butyl Alcohol	15%	17½%	17½%	711
Ethyl Acetate	15%	17½%	17½%	711
Butyl Acetate	15%	17½%	17½%	711
Amyl Acetate	30%	30%	30%	166
Di-Butyl Phthalate	15%	17½%	17½%	711
Tricresylphosphate	15%	17½%	17½%	711
Nitrocellulose per lb.	.01¼	.02¼	.02½	666
Camphor	15%	17½%	17½%	711

FREE

Turpentine
Whiting
Ultramarine Blue

China Wood Oil
Lamp Black
Varnish Gums

Silica
Ivory Black
Shellac Gum

As per Canadian Customs Tariff 1927

We believe it to be in the best interests of the country as a whole that the various component activities, whether agriculture, fishing, mining, lumbering or manufacturing, should be on a prosperous basis, as the prosperity of one is bound up in the prosperity of the other. Every reasonable person will be inclined to admit the right of capital to a fair return on investment and a similar right to the agriculturist, to the miner, to the fisherman, and to the workman, whether the investment is an investment of money, an investment of skill, or an investment of time and labor.

Twelve companies in the industry beg to submit a composite statement showing sales, expenses and net profits for a period of the last five years. We feel that the figures thus submitted will bear out our contention that no undue profits have been made by the paint and varnish industry in Canada, - that prices are as low as they can be made, and that they are made as the result of competition, and not on the basis of the protection afforded by the tariff. On the other hand, we maintain that the protection of the tariff, as at present constituted, is necessary to safe-guard the industry and that both past and present action of the industry proves that it can be trusted to use the tariff for this purpose only.

While these figures do not cover the entire industry, they present what we believe to be a better than average condition in the industry.

The Ault & Wiborg Co. of Can., Ltd., Toronto, Ont.	Jas. W. Jamieson & Co., Ltd., Montreal, Que.
Ayres Varnish & Paint Co., Ltd., Vancouver, B.C.	R. G. Jamieson & Co., Ltd., Montreal, Que.
Berry Brothers, Inc., Walkerville, Ont.	Lowe Brothers, Limited, Toronto, Ont.
The Boulton Paint Co., Ltd., Toronto 2, Ont.	McArthur, Irwin, Limited. Montreal, Que.
Brandram-Henderson, Limited, Montreal, Que.	The Martin-Sencour Co., Ltd., Montreal, Que.
British America Paint Co., Ltd., Victoria, B.C.	A. Muirhead Co., Ltd., Toronto, Ont.
The Canada Paint Company, Ltd., Montreal, Que.	Murphy Varnish Co. of Can., Ltd., Montreal, Que.
Henry Darling & Son, Limited, Vancouver, B.C.	The Northern Paint Co., Ltd., Winnipeg, Man.
Dominion Paint Works, Limited, Walkerville, Ont.	Ottawa Paint Works, Ltd., Ottawa, Ont.
Flint Paint and Varnish, Limited, West Toronto 9, Ont.	Pratt & Lambert, Inc., Bridgeburg, Ont.
The Glidden Company, Ltd., Toronto, Ont.	A. Ramsay & Son Company, Montreal, Que.
The Herbert Paint & Varnish Co., Ltd., Calgary, Alta.	Sanderson Percy & Co., Ltd., West Toronto, Ont.
The Imperial Varnish & Color Co., Ltd., Toronto, Ont.	Scarfe & Co., Ltd., Brantford, Ont.
International Paints (Canada) Ltd., Montreal, Que.	The Sherwin-Williams Co. of Can., Ltd., Montreal, Que.
International Varnish Company, Ltd., Toronto, Ont.	Standard Paint & Varnish Co., Ltd. Windsor, Ont.
International Laboratories, Limited, St. Boniface, Man.	G. F. Stephens & Co., Ltd., Winnipeg, Man.

APPENDIX "A"

COMPARATIVE STATEMENT OF LABOR, SALARY AND WAGE COSTS IN PAINT MANUFACTURING IN GREAT BRITAIN, UNITED STATES AND CANADA.

		Percent of Labor Salaries and Wages to Total Cost
English	1st Qual. Outside White.....	17.88%
American	1st Qual. Outside White.....	16.19%
Canadian	1st Qual. Outside White.....	21.16%
English	1st Qual. House Paint, Gray.....	21.11%
American	1st Qual. House Paint, Gray.....	17.95%
Canadian	1st Qual. House Paint, Gray.....	21.69%
English	2nd Qual. White.....	23.85%
American	2nd Qual. White.....	19.82%
Canadian	2nd Qual. White.....	23.16%
English	Flat Wall Paint.....	21.41%
American	Flat Wall Paint.....	22.15%
Canadian	Flat Wall Paint.....	23.64%
English	1st Qual. White Enamel.....	20.46%
American	1st Qual. White Enamel.....	17.10%
Canadian	1st Qual. White Enamel.....	23.64%
English	Spar Varnish.....	19.77%
American	Spar Varnish.....	20.04%
Canadian	Spar Varnish.....	25.52%
English	Floor Varnish.....	21.80%
American	Floor Varnish.....	20.93%
Canadian	Floor Varnish.....	22.89%
English	Furniture Varnish.....	25.87%
American	Furniture Varnish.....	21.04%
Canadian	Furniture Varnish.....	23.71%

APPENDIX "B"

COMPARATIVE AVERAGE RATE OF WAGES PER HOUR PAID WORKMEN FOR
SIMILAR CLASSES OF WORK IN CANADA, GREAT BRITAIN AND U.S.A.

	CANADA		GREAT BRITAIN		U.S.A.
Paint Mixers -	-	43 cents	-	27 cents	52½ cents
Paint Grinders (Mill Men)	36½ cents	-	27 cents	-	47½ cents
Shaders -	-	43 cents	-	27 cents	60½ cents
Fillers -	-	35½ cents	-	27 cents	42½ cents
			(Women 14-1/5 cents)		
Packers -	-	35½ cents	-	27 cents	47½ cents
			(Women 14-1/5 cents)		
Labellers -	-	22½ cents	-	14-1/5 cents)	32½ cents
Shippers -	-	40 cents	-	27 cents	47½ cents
Warehousemen -	-	40 cents	-	27 cents	52½ cents
Varnish Makers -	-	42½ cents	-	42½ cents	55 cents

Figures submitted by

Lewis Berger & Sons, Limited, London, England
The Sherwin-Williams Company, Cleveland, U.S.A.
The Sherwin-Williams Co. of Canada, Limited, Montreal, P.Q.

